**Meeting of the**
**Board of Medical Assistance Services**
**600 East Broad Street, Suite 1300**
**Richmond, Virginia**

**March 13, 2007**

**Minutes**

**Present:**
Rose C. Chu
Kay C. Horney
Manikoth G. Kurup, M.D. (Chair)
David Sylvester
Robert D. Voogt, Ph.D.
Michael Walker

**By phone:**
Terone B. Green (phone)

**Absent:**
Monroe E. Harris, Jr., D.M.D.
Phyllis L. Cothran
Patsy Ann Hobson
Barbara H. Klear

**DMAS Staff:**
Cynthia B. Jones, Chief Deputy Director
Bryan Tomlinson, Director of Health Care Services
Reatha Kay, Legal Counsel
William Lessard, Director of Provider Reimbursement
Craig Markva, Manager, Office of Communications & Legislative Affairs
Nancy Malczewski, Public Information Officer, Office of Communications & Legislative Affairs
Mamie White, Public Relations Specialist, Office of Communications & Legislative Affairs

**Speakers:**
Patrick W. Finnerty, Director
Cheryl J. Roberts, Deputy Director of Operations
Thomas Edicola, Director of Program Operations
Sandra Hunt, Price Waterhouse Coopers
Sylvia Hart, Director of Information Management
Scott Crawford, Deputy Director of Finance and Administration

**Guests:**
Marilyn B. Tavenner, Secretary of Health & Human Resources
13 other guests signed in.

## Call to Order

Dr. Manikoth G. Kurup, Chairman of the Board, called the meeting to order at 10:08 a.m. after a quorum was met.

## Approval of Minutes from December 12, 2006 Meeting

Dr. Kurup asked that the Board review and make a motion to approve the Minutes from the December 12, 2006 meeting. Ms. Chu made the motion to accept the Minutes and Dr. Voogt seconded. The vote was 6-**yes (Chu, Horney, Kurup, Sylvester, Walker and Voogt); 0-no. (Because of state "open meeting laws," the vote of anyone participating by phone could not be counted.)** He then asked the Board members to introduce themselves and the introductions continued around the room by DMAS staff and guests.

Dr. Kurup recognized Secretary Tavenner and congratulated Ms. Hobson, Ms. Cothran and Dr. Voogt on their reappointment for another term.

**Election of Chairman/Vice Chairman**

Mr. Finnerty noted that the Board bylaws require the election of officers for the Board the first meeting after March 1st of each year. He presided over the election of the Board Officers. Mr. Finnerty noted the current officers were: Dr. Kurup and Dr. Voogt. He opened the floor to accept nominations for Chairman. Dr. Voogt nominated Dr. Kurup. Hearing no other nominations; Mr. Finnerty asked that the nominations be closed and he closed the floor for additional nominees. The vote to elect Dr. Kurup as Chairman was 6-**yes (Chu, Horney, Kurup, Sylvester, Voogt, and Walker); 0-no.**

Mr. Finnerty opened the floor to accept nominations for Vice Chairman. Mr. Walker nominated Dr. Voogt. Hearing no other nominations; Mr. Finnerty asked that the nominations be closed and he closed the floor for additional nominees. The vote to elect Dr. Voogt as Vice Chairman was 6-**yes (Chu, Horney, Kurup, Sylvester, Voogt, and Walker); 0-no.**

**Selection of Secretary**

Mr. Finnerty explained the selection of Board Secretary as noted in the Board bylaws. Mr. Finnerty noted that current Board Secretary, Ms. Malczewski, had taken another position within the agency; and, therefore, a new Board Secretary needed to be selected. Mr. Finnerty introduced and nominated Mamie White for Secretary. Ms. Reatha Kay, Counsel to the Board, noted that the Board bylaws require the Secretary to be selected by the full Board. Dr. Voogt asked that a letter be sent out to all Board members for signatures regarding the selection of Mamie White as Secretary and returned to Mr. Finnerty. Mr. Sylvester made a motion to approve Ms. White as the Board Secretary pending approval of the full Board through the letter that will be circulated to each member. The vote was 6-**yes (Chu, Horney, Kurup, Sylvester, Voogt and Walker); 0-no.**

Dr. Kurup thanked Ms. Malczewski for her service to the Board. Mr. Finnerty presented Ms. Malczewski with a thank you letter and noted that an additional memento would be forthcoming.

**2007 GENERAL ASSEMBLY UPDATE: BUDGET AND LEGISLATION**

Mr. Finnerty stated that the budget has not been finalized but amendments to the 2006 Appropriations Act were adopted by the 2007 General Assembly. The Governor is now reviewing the legislature's recommendations and likely will offer several amendments that will be considered by the legislature at the reconvened session on April 4th. Overall, the budget includes relatively modest increases in funding for the Department of Medical Assistance Services (DMAS). Mr. Finnerty went over the key DMAS-related budget amendments which included amendments such as expanding FAMIS MOMs coverage of pregnant women; adding

coverage for substance abuse treatment services; increasing physician reimbursement rates; increasing/maintaining inpatient psychiatric rates; and increasing rates for DMAS' High Risk Maternity Care Coordination program.

He also explained several language amendments which included topics such as development of enhanced benefit accounts for use in the Disease State Management program, and development of a Pay for Performance program for nursing facility services and others.

Mr. Finnerty gave a brief overview of the key legislation affecting DMAS during the 2007 General Assembly Session. Specifically, the bills mentioned were: (HB 2290) directs DMAS to develop a Nursing Facility Quality Improvement program; (HB 2299) eliminates the quarterly report on FAMIS to the Joint Commission on Health Care; (HB 3138) makes changes to DMAS' third party liability provisions to comply with the Deficit Reduction Act of 2005; (HB 3188) directs DMAS to utilize, to the greatest extent possible, electronic fund transfer technology for reimbursement to providers; and (SB 1195) allows criminal history record information to be disseminated to DMAS for screening individuals who provide transportation services to enrollees in Medicaid.

Overall, Mr. Finnerty noted that DMAS had a good session. Secretary Tavenner also expressed satisfaction with how well the Health and Human Resources Secretariat fared during the session. Dr. Kurup thanked Secretary Tavenner for her leadership.

## MEDICAID MANAGED CARE OVERVIEW

Mr. Finnerty explained that the Medicaid Managed Care Overview would be presented in three parts: (1) an overview of how the program works, the benefits, and the services the MCOs provide; (2) an explanation of the rate setting process; and (3) a financial overview.

Ms. Cheryl J. Roberts, Deputy Director of Operations, gave an operational overview of the Medicaid Managed Care Program. She pointed out that the Managed Care program has expanded significantly over the past ten years. Ms. Roberts stated that she was asked to focus her discussion on the provider network, consumer protections and quality assurance and to answer the question, "What services and benefits do we get through the managed care program?"

Ms. Roberts explained how providers are the core of the MCO business and identified the advantages that MCOs have over the fee-for-service (FFS) Medicaid program in terms of network development and retention. Several of the MCOs are able to leverage their commercial networks in a way that more Medicaid providers are recruited into their group, and thus access to healthcare services for Medicaid recipients has increased. Ms. Roberts noted that DMAS does extensive monitoring to make sure MCO plans are compliant with contract requirements. The Department hopes to expand the MCO or managed care program in areas currently not being served and to integrate long term care and acute care service (DMAS was directed to develop a blueprint for integrating acute and long-term care services).

In terms of consumer services/protection, Ms. Roberts noted that several additional services exist in the managed care model than in Medicaid FFS, including a 24/7 nurse hotline, provider directories, toll-free customer service lines, outreach staff, and provider credentialing. In addition, MCO enrollees can appeal adverse decisions to the plans and directly to DMAS. Given the number of persons enrolled in the MCOs, relatively few complaints are received (e.g., most recent count was 405 in January, 2007).

With regard to quality assurance, Virginia requires all health plans to obtain National Committee for Quality Assurance (NCQA) accreditation. Currently, 4 out of the 5 Virginia Medicaid MCOs were ranked in 'America's Best Health Plans' by U.S. News and World Report. All of the plans are required to use and report NCQA's HEDIS measures as an indication of enrollees accessing care. Ms. Roberts discussed some examples of HEDIS reporting and the success the MCOs have had with prenatal care, childhood immunizations and the use of appropriate asthma medications.

Various Board members asked questions during the presentation.

Ms. Sandra Hunt, Principal with PriceWaterhouseCoopers, gave an overview of the rate setting methodology. Ms. Hunt reviewed the general goals of the rate setting methodology. She noted that all states with managed care programs were required by federal regulations to adopt rate setting methods based on "actuarial soundness." She highlighted some of the key differences between states, explained the overall process and data sources for rate-setting, and the multiple levels of review involving DMAS, the health plans and then CMS.

Scott Crawford, Deputy Director of Finance and Administration, stated that DMAS has monitored MCO profits for the duration of the contract. He presented a table that identified the overall MCO profit margin for the program since Fiscal Year 2000. The overall 6 year average was 5.9%. In FY 2004, the overall profit increased from 4.3% to 7.6%. Mr. Crawford noted that DMAS was concerned about this increase but thought the trend would reverse. In FY 2005, the overall margin increased to 9%. In response to this increase, DMAS took three specific actions to address the profit issue: (1) eliminated a 2% contribution to reserves in the FY 2007 rates; (2) limited profits to 8% in CY 2007 and future years; and (3) contracted for an independent actuarial review of rate setting process. Mr. Green requested specific dollar amounts for the percentages in the table; he also indicated he had a concern that capping profits penalized the plans for being efficient and cost-effective and that the money could be diverted to transportation funding. Dr. Voogt indicated he felt that capping the profits was appropriate. Secretary Tavenner asked Ms. Hunt what her experience has been with this issue in other states. Ms. Hunt noted that several states use a "minimum loss ratio" of 85% which represents a minimum level of claims expenditures; administrative costs and any profit is above that minimum level. She also noted that by capping profits at 8%, Virginia is in line with other states.

**National Provider Identification (NPI)**

Ms. Sylvia Hart, Director of Information Management, provided an overview of the National Provider Identifier law which is the next phase of the federal HIPAA Administrative Simplification Mandates. The mandatory compliance date is May 23, 2007. The NPI law

requires that all eligible healthcare providers obtain and use NPIs in all electronic transactions. Ms. Hart stated that DMAS is also requiring healthcare providers to use NPIs on standard electronic transactions, paper claims and voice and web response system access and usage. DMAS is also issuing an Atypical Provider Identifier (API) for non-NPI eligible providers. Providers must use the new versions of the CMS 1500 by June 1, 2007 rather than April 1, 2007. The National Committee on Vital and Health Statistics (NVVHS) has reported that the industry does not feel they are ready to meet the May 23, 2007 compliance date. Ms. Hart indicated that DMAS will Dual Use which means DMAS will accept and use either a Legacy Provider ID or an NPI/API during the period from March 26, 2007 through May 22, 2007 to mitigate any potential risks.

Mr. Thomas Edicola, Director of Program Operations, reported that as of January 2007, there are 53,000 providers enrolled. He explained the provider re-enrollment and massive outreach efforts to communicate this information to providers. He noted that even though the enrollment statistics indicate that only about 45% of the providers have enrolled with an NPI, these providers represent about 90% of the claims that are paid. This indicates that the largest providers have their NPI. Mr. Edicola and Ms. Hart both indicated that they felt very confident in the status of the NPI project.

## OLD BUSINESS

### Regulatory Activity Summary

The Regulatory Activity Summary is included in the Members' books to review at their convenience.

### New Business

None.

### Adjournment

Dr. Kurup thanked everyone and adjourned the meeting at 12:35 p.m.